

FISCAL NOTE

Bill #: HB0122

Title: Child Support Assurance Program

Primary Sponsor: Michelle Lee

Status: As Introduced

Sponsor Signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	\$ 36,928,039	\$ 35,970,568
Federal Special Revenue	794,424	754,560
Revenue:		
General Fund	\$ 13,008,631	\$ 13,008,631
Federal Special Revenue	794,424	794,424
Net Impact on General Fund Balance:	(\$23,919,408)	(\$22,961,937)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact	X		Technical Concerns
X		Included in the Executive Budget		X	Significant Long-Term Impacts
X		Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

General Assumptions:

1. The current enforcement and collection functions of the Department of Public Health and Human Services (DPHHS) Child Support Enforcement Division (CSED) will be an integral part of the Child Support Assurance program (CSA) to maximize collections of the support amounts due from non-custodial parents.
2. Each household represents one case with an average of 1.95 children

3. Families receiving Temporary Assistance for Needy Families (TANF) are anticipated to elect to continue on the TANF program, since the average monthly TANF benefit is \$405 per case and the monthly benefit under CSA is \$375 based on 2 children.
4. All eligibility costs, such as FTE required for the Human and Community Services Division, and associated operating costs are considered to be administrative by the TANF block grant or TANF Maintenance of Effort (MOE). These costs count towards the 15 percent TANF administration cap. The state spent its administrative cap in federal fiscal year 2000.
5. The CSA program will be considered a separate state program funded with general fund under the TANF program. As such TANF work requirements and time limits will not apply, but separate TANF reporting requirements will be required.
6. All TANF cases have incomes at or below 95% of poverty.

CSA Expenditure and Revenue Assumptions:

7. There are estimated to be 232,751 Montana children under age 18, of these 87,282 live in households with incomes below 185% of the poverty level. A total of 23,566 or 27% of the children that live in households with incomes below 185% of poverty are in single parent households.
8. Based on November 2000 statistics, CSED had a support order caseload of 2,979 cases for families currently receiving TANF. There are 4,391 children in the current TANF caseload who would not use CSA benefits.
9. There are 19,175 children in single parent households with incomes below 185% of poverty that would use CSA (23,566-4,391=19,175).
10. The distribution of children by family size is estimated to be 25% in one-child families and 75% in two-child families (No weight was considered for families with more than two children).
11. The 19,175 children represent 11,985 households (one-child, $.25 * 19,175 = 4,794$) and (two-child households, $.75 * 19,175/2 = 7,191$). The distribution is as shown in the following table:

Ordered Amount	CASELOAD					
	Percent of	Number of children	Percent Of Children	Children/cases		Cases Two-Child Families
	Federal Poverty			One-child Family	Children Two-Child Families	
	0-95	4,391	18.6%	N/A	N/A	N/A
\$0-50.00	96-113	2,616	11.1%	654	1,962	981
\$50.01-100.00	114-131	4,398	18.7%	1,099	3,298	1,649
\$100.01-150.00	132-149	4,516	19.2%	1,129	3,387	1,693
\$150.01-200.00	150-167	4,150	17.6%	1,037	3,112	1,556
\$200.01-250.00	168-185	3,496	14.8%	874	2,622	1,311
		19,175	100.0%	4,794	14,381	7,191

12. The amount collected annually is 58.32% of what is owed for support orders of \$250 or less.
13. This legislation provides benefit levels of up to \$250 a month for one child, \$375 for a two-child household, and \$65 for each subsequent child.
21. CSED collects an average of \$56.53 per month per child for the children in this segment of the caseload
22. Benefits for the CSA program will be paid in accordance with the legislation based on a sliding scale to reflect income disregard. .

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23. The following table reflects the expenditures for the CSA program for one-child families:

EXPENDITURES: ONE-CHILD FAMILIES		\$250.00 maximum monthly amount					
Category	Cases One-child Families	Monthly AVG Order Per Case	Monthly AVG Monthly Increase to Order	Monthly Annual CSA Cost	Monthly AVG Coll. Per Child	AVG Annual CSA Collection	Total Cost
Ordered Amount							
\$0-50.00	654	\$38.82	\$200.62	\$1,879,203	\$14.04	\$110,190	\$1,769,013
\$50.01-100.00	1,099	\$80.42	\$122.95	\$2,683,107	\$26.97	\$355,829	\$2,327,277
\$100.01-150.00	1,129	\$128.97	\$60.52	\$2,566,878	\$53.37	\$722,982	\$1,843,896
\$150.01-200.00	1,037	\$182.07	\$18.68	\$2,499,124	\$80.49	\$1,002,011	\$1,497,113
\$200.01-250.00	874	\$228.69	\$1.07	<u>\$2,409,605</u>	\$101.18	<u>\$1,061,145</u>	<u>\$1,348,460</u>
TOTAL	4,794			\$12,037,917		\$3,252,158	\$8,785,760

24. The annual cost for one-child families is estimated to cost \$8,785,760 after revenue is factored out.

25. The following table reflects the expenditures for the CSA program for two-child families.

EXPENDITURES: TWO-CHILD FAMILIES		\$375.00 maximum monthly amount					
Category	Cases Two-Child Families	Monthly AVG Order Per Case	Monthly AVG Monthly Increase to Order	Monthly Annual CSA Cost	Monthly AVG Coll. Per Child	AVG Annual CSA Collection	Total Cost
Ordered Amount							
\$0-50.00	981	\$38.82	\$319.37	\$4,216,781	\$14.04	\$330,570	\$3,886,211
\$50.01-100.00	1,649	\$80.42	\$213.57	\$5,818,154	\$26.97	\$1,067,488	\$4,750,666
\$100.01-150.00	1,693	\$128.97	\$123.02	\$5,120,312	\$53.37	\$2,168,947	\$2,951,365
\$150.01-200.00	1,556	\$182.07	\$53.06	\$4,390,583	\$80.49	\$3,006,034	\$1,384,549
\$200.01-250.00	1,311	\$228.69	\$7.32	<u>\$3,712,730</u>	\$101.18	<u>\$3,183,435</u>	<u>\$529,296</u>
TOTAL	7,191			<u>\$23,258,559</u>		<u>\$9,756,473</u>	<u>\$13,502,086</u>
TOTAL ANNUAL							
CSA COSTS/REVENUES:				\$35,296,476		\$13,008,631	\$22,287,845

26. The annual cost for two-child families is estimated at \$13,582,086 after CSE revenue is factored out.

27. The total cost of the CSA program is estimated to cost \$35,296,476 annually less revenue of \$13,008,631 for an impact to the general fund of \$22,287,845 annually (\$35,296,476-\$13,008,631).

28. The revenue recognized is the average collections annualized over the categories of support. Under this legislation an accounts receivable in the amount of (Annual Owed-Annual Collected=Accounts Receivable due the general fund.) (\$19,444,499-\$13,008,681=\$6,435,868) would be set up.

Child Support Enforcement – 05

28. There will be 1,671 former/never assistance cases not currently in the CSED caseload.

29. Current CSED caseload is 450 cases per caseworker. With these new cases added due to the CSA program, 4.0 FTE caseworkers, grade 13, will be required for CSED. Equipment (Office) costs of \$2,750 per FTE for a total of \$11,000 in FY02 are included.
30. Major programming requirements to the System for Enforcement and Recovery of Child Support (SEARCHS) computer system are anticipated to provide the capability within the system to determine the issuance of CSA benefit payments. The contractor currently supporting SEARCHS projects costs of \$1,069,300 to make these system enhancements, which is included in FY 2002. In addition, the contractor projects ongoing facilities maintenance costs of \$1,019,900 per year, beginning in FY 2003
31. The funding for the CSED is eligible for Title IV-D funding at 34% state and 66% federal funds. Total general fund cost is \$409,249 during FY02 and \$388,713 in FY03. Federal Funds costs are \$794,424 in FY 2002 and \$754,560 in FY 2003.

Human and Community Services Division - 02

32. Eligibility determination would be a process similar to the Children’s Health Insurance Program (CHIP) program.
33. With 11,985 annual cases due to the CSA program, 9.00 FTE, grade 12, eligibility technicians will be required to establish new and continuing eligibility for the program at an annual cost of \$266,058.
34. Each FTE will require \$3,500 in personal computers and office furnishings (\$35,000) in FY 2002.
35. The program will need a 0.50 FTE Program Manager to develop policy, write manual material, train eligibility technicians, monitor consistency of policy application, liaison with the federal agency, and complete federal reporting requirements. This 0.50 FTE, grade 15 would cost \$18,779.
36. The costs for TV advertisements, radio spots, written advertising and mailings to disseminate information for this new program are estimated to be \$50,000.
37. The costs to develop a new program application and printing 20,000 copies would be approximately \$1,820.
38. Significant programming changes will be necessary to The Economic Assistance Maintenance System (TEAMS) for TEAMS to be able to determine CSA eligibility and to be able to interface with the System for Enforcement and Recovery of Child Support (SEARCHS). A local contractor has estimated programming costs are estimated at \$850,000 in FY 2002. Ongoing system maintenance costs are unknown but will have a fiscal impact.
39. Costs for the 1-800 phone line are estimated at \$657; \$115 of the cost would be one-time only installation charges, with \$8.50 as a monthly charge for the phone and \$440 in per minute charges at \$0.11 per minute.
40. Total HCSD costs (100% general fund) would be \$1,222,314 in FY 2002 and \$285,379 in FY 2003.

FISCAL IMPACT:

Child Support Assurance expenditures and collections

	<u>FY2002</u>	<u>FY2003</u>
	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>		
Benefits	\$35,296,476	\$35,296,476
 <u>Funding:</u>		
General Fund (01)	\$35,296,476	\$35,296,476

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Revenues:

General Fund (01)	\$13,008,631	\$13,008,631
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$22,287,845)	(\$22,287,845)
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Child Support Enforcement Division operating

FTE	4.00	4.00
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Expenditures:

Personal Services	\$123,373	\$123,373
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Operating Expenses	1,069,300	1,019,900
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Equipment	<u>11,000</u>	<u>0</u>
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TOTAL	\$1,203,673	\$1,143,273
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Funding:

General Fund (01)	\$ 409,249	\$388,713
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Federal Special Revenue (03)	<u>794,424</u>	<u>754,560</u>
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TOTAL	\$1,203,673	\$1,143,273
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Revenue

Federal Special Revenue (03)	\$ 794,424	\$ 754,560
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$409,249)	(\$388,713)
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Human and Community Services Division operating

FTE	9.50	9.50
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Personal Services	\$ 284,837	\$ 284,837
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Operating Expenses	<u>937,477</u>	<u>542</u>
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TOTAL	\$1,222,314	\$285,379
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Funding:

General Fund (01)	\$1,222,314	\$285,379
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$1,222,314)	(\$285,379)
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TECHNICAL NOTES:

1. The CSA program would be a separate state program funded with state general fund but part of the TANF program. As such, the TANF state plan would have to be amended to include CSA clients up to 185% of the FPL. Separate TANF reporting requirements would apply. All CSA costs in the Human and Community Division would count against the TANF 15 percent administration cap.

2. All funds collected from the support orders on behalf of the CSA population would be retained by the state and not returned to the federal government under Title IV-D of the Social Security Act. Child support funds collected on behalf of TANF clients at or below 95% of the FPL would continue to be shared with the federal government.
3. There are several technical areas of the bill that require clarification (they include but are not limited to the following):
 - A. It is unclear how often eligibility for the CSA program would need to be re-determined. FTE are based on 12-month re-determinations.
 - B. Only the criteria for clients to be at or below 185% of the FPL is mentioned, without providing details on how applicants will be determined to satisfy the criteria. The bill does not ask for resource or asset tests or speak to other issues of how eligibility for CSA would be determined. Resource tests provide information on applicant's bank accounts, property, trust funds, or other resources.
 - C. Employment requirements are not specified other than "to be employed." It is unclear how the employment requirement is to be monitored, or whether there is an expectation that a certain number of hours of work are required.
 - D. It is unclear how the 90% income disregard would be applied and/or monitored.
 - E. Section 4 (7) of the bill states that the custodial parent remains eligible for Medicaid and childcare. In order to provide Medicaid eligibility or childcare assistance for clients in the CSA program, the families would need to meet the federal eligibility standards for each program. Childcare and Medicaid are both governed by federal eligibility requirements and are no longer categorically eligible under TANF/AFDC. If it is the intent of this bill to make recipients of CSA eligible for childcare and Medicaid, then costs for those programs will need to be calculated. Under current regulations childcare is capped at 150 percent and Medicaid has been de-linked from TANF.
4. The CSA program would need a complicated accounting distribution enhancement, is unlikely that the enhancement could be implemented by the start date indicated in the legislation.
5. The consumer price index would increase the costs of the CSA program for FY03 pursuant to the legislation.
6. The legislation provides for income offset. This is expected to result in a sliding scale, incremental payment system for CSA benefits. However, it is unclear how this offset affects the CSA payments. The legislation allows for the greater of CSA benefits or the support ordered amount.